



# CITY OF ST. LOUIS

**ASSESSOR'S OFFICE**

**REVENUE AND EXPENDITURE REVIEW**

**JULY 1, 2011 THROUGH JUNE 30, 2012**

**PROJECT #2013-RRV04**

**DATE ISSUED: MARCH 6, 2013**

**Prepared by:  
The Internal Audit Section**



# OFFICE OF THE COMPTROLLER

**HONORABLE DARLENE GREEN, COMPTROLLER**



OFFICE OF THE COMPTROLLER  
CITY OF ST. LOUIS



*Internal Audit Section*

DARLENE GREEN  
Comptroller

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March 6, 2013

Ed Bushmeyer, Assessor  
City Hall  
1200 Market Street, Room 120  
St. Louis, Missouri 63103-2826

RE: Assessor's Office (Project #2013-RRV04)

Dear Mr. Bushmeyer:

Enclosed is the Internal Audit Section's revenue and expenditure review report of the Assessor's Office for the period July 1, 2011 through June 30, 2012. A description of the scope of our work is included in the report.

Fieldwork was completed on January 16, 2013. Management's responses to the observations and recommendations noted in the report were received on March 1, 2013 and have been incorporated in the report.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised, and has been conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

If you have any questions, please contact the Internal Audit Section at (314) 657-3490.

Respectfully,

*Kenneth M. Stone*  
Dr. Kenneth M. Stone, CPA, CGMA  
Internal Audit Executive

Enclosure:

**CITY OF ST. LOUIS**  
**ASSESSOR'S OFFICE**  
**REVENUE AND EXPENDITURE REVIEW**  
**JULY 1, 2011 THROUGH JUNE 30, 2012**

**EXECUTIVE SUMMARY**

**Purpose**

The purpose was to determine if the Assessor's Office effectively and efficiently manages risks to ensure the:

- Accomplishment of established objectives and goals.
- Compliance with applicable laws, regulations, policies and procedures.
- Proper safeguarding of assets.
- Reliability of financial and operational information.
- Economic and efficient use of resources.
- Contractual and other service expenditures are properly authorized, budgeted and recorded.
- Department followed required City purchasing and bidding procedures.
- Goods and services paid for were received.

**Scope and Methodology**

The review included revenues and expenditures from July 1, 2011 through June 30, 2012 and was confined to evaluating internal controls over fiscal activities relating to the objectives noted above. Review procedures included:

- Inquiries of management and staff.
- Observations of relevant processes.
- Compliance with policies and procedures, as well as applicable laws and regulations.
- Limited tests of controls.
- Follow-ups on prior audit observations.
- Other procedures considered necessary.

**Background**

The Assessor's mission is to assess all property to fairly reflect market value and to accurately record and provide real estate and personal property information to customers in a courteous manner. In every odd year the Assessor will assess all real property located within the City.

## Exit Conference

An exit conference was conducted at the Assessor's Office on February 13, 2013. Assessor's Office was represented by the Deputy Assessor. The Internal Audit Section was represented by the Audit Supervisor and Auditor in charge.

## Conclusion

The opportunity exists for the Assessor's Office to improve internal controls over revenues and expenditures. The following are observations resulting from the review.

1. Opportunity to develop written policies and procedures.
2. Opportunity to improve the integrity of financial information.
3. Opportunity to improve Real Estate Section's control of cash collections.

Each of these observations is discussed in more detail in the *Detailed Observations, Recommendations and Management's Responses* section of this report.

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Dr. Kenneth M. Stone, CPA, CGMA  
Internal Audit Executive

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Date

**CITY OF ST. LOUIS  
ASSESSOR'S OFFICE  
REVENUE AND EXPENDITURE REVIEW  
JULY 1, 2011 THROUGH JUNE 30, 2012**

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## OBSERVATIONS

### Status of Prior Observations

There have not been any recent revenue and expenditure reviews of the Assessor's Office.

### Summary of Current Observations

Several control procedures were noted in processing revenues and expenditures. These included, but were not limited to the following:

- The Assessor's Office followed City purchasing procedures.
- Proper authorization and approvals of revenues and expenditures.
- Reconciliation of expenditures to the City general ledger.

The opportunity exists for management to improve internal controls over the Assessor's Office fiscal activities. The following are observations resulting from our review:

1. Opportunity to develop written policies and procedures.
2. Opportunity to improve the integrity of financial information.
3. Opportunity to improve Real Estate Section's control of cash collections.

Each of these observations is discussed in more detail in the *Detailed Observations, Recommendations and Management's Responses* section of this report.

## DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES

### 1. Opportunity To Develop Written Policies And Procedures

The Assessor's Office did not develop written policies and procedures for the collection of revenues. Policy and procedures manual should give detailed step by step instructions on how employees are to perform their collection duties.

Written policies and procedures assist in ensuring that procedures and job functions are effectively communicated to and understood by staff and consistently performed in accordance with management's goals and objectives. Policies and procedures provide guidance to the staff in the performance of their duties.

Management has not assigned the responsibility for the development of written policies and procedures for the collection of revenues.

The absence of written policies and procedures increases the risk that the collection of revenues may not be performed in a consistent manner and in compliance with laws and regulations. Employees may not be effectively trained and appropriate performance standards may not be developed or communicated to the staff.

#### **Recommendation:**

Internal Audit Section recommends that management develop written policies and procedures manual for the collection of revenues. The policies and procedures manual should be approved by management and effectively communicated to the staff.

#### ***Management's Responses:***

*Assessor's Office agrees that the office needs to develop written policies and procedures for revenues collected by this office. To assist us in developing the policies and procedures, we have requested copies of such policies and procedures from several other departments that handle revenues. We would also welcome any examples that the Internal Audit Section can provide.*

### 2. Opportunity To Improve The Integrity Of Financial Information

The Assessor's Office does not have documentation on the calculation or collection of revenues posted to its revenue accounts by other City departments. The Collector of Revenue, Comptroller's Office and License Collector calculate and post revenue to the Assessor's Office revenue accounts in the city general ledger. The Assessor's Office does not know how much should be posted to its accounts. Account number

## 2. Continued...

4703030 (License Commission), fund number 1115, shows negative budget balances from Fiscal Year 2010 to 2013.

It is good management practice to record, report revenues and verify the accuracy of the revenue calculations and reconcile the revenue postings to the general ledger.

The Assessor's Office does not request notification or documentation of the revenue collection, calculations or postings from the City departments that generate the revenue entries. The department's management has never recognized budget negative balances in the revenue budget and did not know why.

The lack of adequate documentation could result in incorrect calculation of revenues and the timely recognition of errors in the general ledger.

### **Recommendation:**

Internal Audit Section recommends that the Assessor's Office request and retain the records, reports and the documentation of the revenue calculations by other City departments. The Assessor's Office should reconcile the revenue accounts on a monthly basis to ensure the accuracy of the revenue amounts posted in the City's general ledger. Negative revenue budget balances should be resolved.

### ***Management's Responses:***

*The revenue received by other departments to fund the Assessor's Office comes from four (4) sources: 1) State per-parcel reimbursements, 2) the 0.625% of tax collections received from the Collector of Revenue, 3) the 0.625% of tax collections received from the License Collector, and 4) the General Fund.*

***State per-parcel reimbursement** – the Comptroller's Office prepares the quarterly reimbursement request to the State. This is because the Comptroller's Office has the final backup documentation (i.e. vouchers with processed markings) needed to prepare the request. The Assessor reviews and signs the quarterly reimbursement request. The amount of the reimbursement is capped by the State's annual appropriation process. The City receives the maximum amount authorized by the State's appropriation each year.*

***Collector of Revenue 0.625% withholding of property tax receipts** – This money is set aside monthly throughout the year by the Collector based on all property taxes collected in a given month. Those collections include payments of past-due taxes*

## 2. Continued...

*from prior years. Neither I.T. nor the Collector currently has the computer capability to provide data segregating the aggregate amount of the tax receipts to show what portion of payments were for current year tax bills versus past-due bills. The Collector's Office forwards payment of the monthly set asides once a year (in June) to the Comptroller's Office to credit to the Assessor's fund. The Comptroller's Office, with its in-house accounting expertise, is best positioned to validate the amount of the check it receives. In addition, the Collector's Office is audited annually by an external auditor to ensure the accuracy of its distribution.*

***License Collector 0.625% withholding of property tax receipts*** – *Similar to the Collector of Revenue process above, except that the License Collector remits payments to the Treasurer's Office on a quarterly basis to credit to the Assessor's fund.*

*The audit recommendation questions the negative balance shown in Account number 4703030. This is a bookkeeping entry that reflects the portion of the 0.625% due to the Assessor's fund that the License Collector retains as its fee. The City's Budget Director prefers that we show this fee as a negative number, rather than show the 0.625% as a net number, so that it is clear what amount the License Collector is withholding for its fee. The amount withheld is less than \$3,000 annually. The Budget Director feels the negative number entry is appropriate and is handled similarly in other City departments. Working with the Comptroller's Office Financial Reporting Section, the Assessor's Office is currently seeking additional information from the License Collector concerning the amounts deposited to the Assessor's fund and the fee portion retained by the License Collector.*

***General Fund*** – *the General Fund subsidizes the balance of what is needed to fund the Assessor's Office. The Comptroller's Office determines that amount and transfers the funds as needed up to the maximum appropriated in the annual budget ordinance.*

## 3. Opportunity To Improve Real Estate Section's Control Of Cash Collections

The Real Estate Section, of the Assessor's Office, collects a fee for making copies of requested information (plats). Anyone in the Real Estate Section can collect the fee and has access to the money box. The fee is \$3 per page copied. The total collected for Searches and Verification in fiscal year 2012, was \$8,172. The Real Estate Section Clerk II does reconcile the daily receipt to the money box and the Clerical Supervisor reviews the cash deposit to the Treasurer's Office and both positions collect cash payment.

### 3. Continued...

It is good management practice to maintain adequate internal controls over cash. A good internal control should segregate the responsibilities for the collection, deposit of cash and reconciliation of cash to the general ledger.

The Real Estate Section is a small department and needs someone available at all times to make copies of information and to collect the fees for the copies made. The frequency and volume of request vary greatly and is not predictable. The size of the department and the need to respond in a timely manner to the public, makes the segregation of duties impossible.

The lack of segregation of duties for collection, deposit and reconciliation of cash to the general ledger, increases the risk for the loss, theft or misappropriation of cash.

#### **Recommendation:**

Internal Audit Section recommends that the Assessor's Office segregate the duties of daily cash collection, recording, reporting, deposit to the Treasurer's Office and reconciliation of cash to the City general ledger. Management's review should be considered where segregation of duties is not possible.

#### ***Management's Responses:***

*As this audit finding notes, "The size of the department and the need to respond in a timely manner to the public, makes the segregation of duties impossible." Yet the audit "recommends that the Assessor's Office segregate the duties..." Pre-numbered carbon receipts are filled out for each transaction showing the amount collected and are initialed by the person accepting the money and issuing the receipt. The customer is given the original of the receipt and the office retains a copy of the receipt. A log is maintained showing each receipt number and the amount on the receipt. The receipt copies are attached to the log. As the audit finding notes, a supervisor reviews and initials the deposits made to the Treasurer's Office. Henceforth we will have supervisory personnel review and initial the log to assure that all transactions are accounted for. We are open to any other specific suggestions the Internal Audit staff may have to improve our controls within the given personnel constraints. The cost of additional staff to oversee the collections would far exceed the \$8,000 in annual receipts.*

**INTERNAL AUDIT SECTION  
REPORT GUIDE SHEET**

REPORT TITLE: Revenue Review – Assessor’s Office PROJECT NUMBER: 2013-RRV04

SCOPE: July 1, 2011 through June 30, 2012

DEPARTMENT: Assessor’s Office DEPARTMENT NUMBER: 180

	Signature	Date
R E P O R T	Initial Submission: <u>Rodger Jungk</u> 	<u>01/23/2013</u>
	Audit Supervisor Reviewer: <u>Dr. Ishmael Ikpeama</u> 	<u>2-7-13</u>
	Proof-Reading: 	<u>3/5/13</u>
	Internal Audit Executive Sign-Off: _____	_____

**REPORT DISTRIBUTION**

**DELIVERABLES**

(1)	Ed Bushmeyer, Assessor	Report	<input checked="" type="checkbox"/>
(2)	IAS File	Flowcharts	<input type="checkbox"/>
(3)	_____	Survey Results	<input type="checkbox"/>
(4)	_____	IAS Survey	<input checked="" type="checkbox"/>
(5)	_____		
(6)	_____		

**FINAL REPORT RELEASE**

The report(s) described above was (were) released by me after all appropriate levels of review were completed.

 Signature 3/6/13 Date

Date closed on TeamMate: \_\_\_\_\_ Date posted on website: \_\_\_\_\_

(Bind with file copy of report)